GOVERNMENT OF INDIA
MICRO,SMALL AND MEDIUM ENTERPRISES
LOK SABHA

UNSTARRED QUESTION NO:126
ANSWERED ON:17.07.2017
Impact of Demonetization on MSMEs
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Will the Minister of MICRO,SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) whether it is a fact that the demonetization has adverse impact on the viability of Micro, Small and Medium Enterprises (MSMEs), and has resulted into rising defaults by MSMEs in the country;

(b) if so, the details thereof and the reaction of the Government thereto;

(c) whether it is also a fact that one of the reasons for these defaults was that a large number of units of MSMEs have been shut down after demonetization; and

(d) if so, the details thereof and the corrective steps taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF
MICRO, SMALL AND MEDIUM ENTERPRISES
(SHRI HARIBHAI PARATHIBHAI CHAUDHARY)

(a) & (b): Demonetization, while immobilizing black money and fighting corruption may have led to temporary slowdown of economic activity in the country and affected MSMEs. However, as more and more transactions become cashless, it will improve the transparency of the economy. In general the MSMEs have welcomed the initiative.

(c): Ministry of Micro, Small and Medium Enterprises has not conducted any study on this issue.

(d): The various steps taken by the Government which will help MSMEs to tackle any adverse impact of demonetization are as follows:

(i) Union Budget 2017-18 has proposed to reduce the tax rate of MSMEs reporting turnover of less than Rs 50 crore to 25% from the existing 30%.

(ii) Recently under Credit Guarantee Fund Scheme the Union Government has approved augmentation of the corpus of the Credit Guarantee Trust from the present level of Rs. 2500 crore to Rs. 7500 crore. Approval has been accorded to increase the coverage of the loans under the scheme from Rs. 1 crore to Rs. 2 crore. The scheme has also been extended to include NBFCs as lending institutions.

(iii) As per the Union Budget 2017-18, under the Scheme of presumptive income tax, for small and medium tax payers whose turnover is upto Rs. 2 crore, the presumptive income has been taken as 6% of the turnover instead of 8%, which is received in non-cash means.